



**Department of Neighborhood Development (DND)  
Sheila Dillon, Chief & Director**

**POLICY UPDATE OCTOBER 2015**

**ASSET POLICY SUMMARY:**

**LIMITING ASSETS AND CERTAIN FORMS OF FINANCING  
IN DND HOMEBUYER & HOME REPAIR PROGRAMS**

This policy is reviewed annually as DND prepares and submits the City's Action Plan to the U.S. Department of Housing and Urban Development (HUD) indicating how federal funds will be used to address priority housing and economic needs.

During the 2015 annual review process, a recommendation was made to increase the buyer's permitted asset limit on the resale of an affordable housing unit from \$75,000 to \$100,000. This recommendation is based on current housing market conditions that create a challenge when the resale of the unit, along with lender underwriting, require a downpayment greater than the existing limit of \$75,000 for the new buyer to qualify for financing.

**POLICY CHANGE**

For resales of affordable units only, the buyer asset limit is \$100,000.

**IMPLEMENTATION (NEW)**

Eligible buyers of affordable resale units may have up to \$100,000 in assets. Further, no more than \$75,000 of the otherwise eligible buyer's assets may be in the form of a gift. This policy change will be applied to all resale units that do not have a purchase and sale agreement signed by both parties prior to October 2015.

DND's Compliance Unit will immediately notify all owners that have received a Maximum Resale Price notification letter in the last six months, but have not yet presented a purchase and sale agreement, to DND as of the effective date of this policy.

### **IMPLEMENTATION (ONGOING)**

- 1) The \$75,000 asset limit remains for all DND-assisted new affordable homeownership units, the homebuyer financial assistance programs and the HomeWorks HELP program.
- 2) All assets, whether in cash, equity in real estate, investments funds, etc. will be included in the determination of assets. If an asset is necessary to the buyer's primary source of income, such as a business owned by the buyer, some or the entire asset may be exempted from the calculation only to the degree necessary to maintain the buyer's income stream<sup>1</sup>.

<b>Determination of Assets</b>	
<b>Assets Included</b>	<b>Excluded Assets</b>
Savings and checking accounts	Retirement accounts such as 401(k), 403(b), 457 and IRA Accounts <sup>2</sup>
Stocks	Government approved college savings plans
Bonds	Municipally funded buy-downs
Gifted money	Community, municipal or employer-funded down payment or closing cost assistance
Other forms of capital investments	
Real property (whole or partial interest)	

- 3) Arm's length financing will be required of all buyers. This will prevent family members from using an income-eligible family member to qualify for an assisted unit while other potentially non-eligible family members get an interest in the unit by providing the financing.
- 4) Co-signers are only permitted when they are going to reside in the property. A co-signer's income will also be considered in determining eligibility.

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<sup>1</sup> This will be done on a case-by-case basis and documented in the client file.

<sup>2</sup> DND may include in this exemption other tax-deferred non-housing savings plans in the future as they are enacted by Congress or the State Legislature.

## **BACKGROUND**

This policy was implemented in October 2005, establishing an asset limit of \$75,000 to homebuyers applying for government assisted housing or government assistance (funds for downpayment and/or closing costs) to purchase a home. At that time, the City determined that if a buyer can afford at least 20% of the market rate sales in a majority of Boston's neighborhoods, then that buyer does have reasonable options in the private market, and does not need a government-assisted unit. Government assistance should be to create options for those who have none, not expand options for those who already have some.

## **POLICY WAIVERS**

DND recognizes that there will be cases where this policy may have unintended outcomes and that best interests of the City are served by waiving the policy in specific circumstances. In granting waivers, DND will consider any undue hardship that this policy places on either the buyer or the seller. It will also take into consideration whether or not the primary intent of this policy, to prevent people with options in the private market from getting a City-assisted unit, is being violated.

Each waiver request must be in writing from the Deputy Director in charge of the requesting program explaining why the waiver is in the best interest of the City. Every waiver must be approved by the Director of DND or her/his designee. Waivers may be for a single instance or may be blanket waivers for all cases with similar circumstances.

## AMENDMENTS AND CLARIFICATIONS PAGE

EFFECTIVE DATE	DESCRIPTION
May 2006 to May 2010	As part of the proposed Action Plan for Community Development, DND/Policy Development & Research determined that market conditions have not changed sufficiently to merit a change in the Asset limitations defined in the policy.
July 1, 2010	As part of the annual Action Plan for Community Development, DND/Policy Development extended the Asset Limit Policy to include the <i><b>HomeWorks <u>H</u>ome <u>E</u>quity <u>L</u>oan <u>P</u>rogram (HELP)</b></i> . This decision is based on the Department's desire to uniformly apply income-eligibility requirements to homebuyer and home repair programs where household income is a major determinant for eligibility.
May 2011 to May 2014	As part of the proposed Action Plan for Community Development, DND/Policy Development & Research determined that market conditions have not changed sufficiently to merit a change in the Asset limitations defined in the policy.
September 2015	<p>As part of the proposed Action Plan for Community Development, DND/Policy Development &amp; Research determined that:</p> <ul style="list-style-type: none"> <li>• market conditions <u>have not</u> changed sufficiently to merit a change in the buyer's asset limitations defined for new affordable units</li> <li>• market conditions <u>have</u> changed sufficiently to merit an increase in the buyers' asset limitations for resale units</li> </ul>